

HB 2466 - S COMM AMD
By Committee on Ways & Means

ADOPTED 03/06/2006

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** A new section is added to chapter 82.08 RCW
4 to read as follows:

5 (1) The tax levied by RCW 82.08.020 does not apply to sales of
6 computer hardware, computer peripherals, or software, not otherwise
7 eligible for exemption under RCW 82.08.02565 or 82.08.975, used
8 primarily in the development, design, and engineering of commercial
9 airplanes or components of such airplanes, or to sales of or charges
10 made for labor and services rendered in respect to installing the
11 computer hardware, computer peripherals, or software. The exemption is
12 available only when the buyer provides the seller with an exemption
13 certificate in a form and manner prescribed by the department. The
14 seller shall retain a copy of the certificate for the seller's files.

15 (2) As used in this section:

16 (a) "Commercial airplane" and "component" have the meanings in RCW
17 82.32.550.

18 (b) "Peripherals" includes keyboards, monitors, mouse devices, and
19 other accessories that operate outside of the computer, excluding
20 cables, conduit, wiring, and other similar property.

21 (3) This section expires July 1, 2024.

22 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.12 RCW
23 to read as follows:

24 (1) The provisions of this chapter do not apply in respect to the
25 use of computer hardware, computer peripherals, or software, not
26 otherwise eligible for exemption under RCW 82.12.02565 or 82.12.975,
27 used primarily in the development, design, and engineering of
28 commercial airplanes or components of such airplanes, or to the use of

1 labor and services rendered in respect to installing the computer
2 hardware, computer peripherals, or software.

3 (2) As used in this section:

4 (a) "Commercial airplane" and "component" have the meanings in RCW
5 82.32.550.

6 (b) "Peripherals" includes keyboards, monitors, mouse devices, and
7 other accessories that operate outside of the computer, excluding
8 cables, conduit, wiring, and other similar property.

9 (3) This section expires July 1, 2024.

10 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.04 RCW
11 to read as follows:

12 (1) In computing the tax imposed under this chapter, a credit is
13 allowed for each person for qualified preproduction development
14 expenditures occurring after the effective date of this section.

15 (2) The credit is equal to the amount of qualified preproduction
16 development expenditures of a person, multiplied by the rate of 1.5
17 percent.

18 (3) The credit shall be taken against taxes due for the same
19 calendar year in which the qualified preproduction development
20 expenditures are incurred. Credits may not be carried over. The
21 credit for each calendar year may not exceed the amount of tax
22 otherwise due under this chapter for the calendar year. Refunds may
23 not be granted in the place of a credit.

24 (4) Any person entitled to the credit in this section as a result
25 of qualified preproduction development conducted under contract may
26 assign all or any portion of the credit to the person contracting for
27 the performance of the qualified preproduction development.

28 (5) The definitions in this subsection apply throughout this
29 section.

30 (a) "Aeronautics" means the study of flight and the science of
31 building and operating commercial aircraft.

32 (b) "Preproduction development" means research, design, and
33 engineering activities performed in relation to the development of a
34 product, product line, model, or model derivative, including prototype
35 development, testing, and certification. The term includes the
36 discovery of technological information, the translating of
37 technological information into new or improved products, processes,

1 techniques, formulas, or inventions, and the adaptation of existing
2 products and models into new products or new models, or derivatives of
3 products or models. The term does not include manufacturing activities
4 or other production-oriented activities. The term does not include
5 surveys and studies, social science and humanities research, market
6 research or testing, quality control, sale promotion and service,
7 computer software developed for internal use, and research in areas
8 such as improved style, taste, and seasonal design.

9 (c) "Qualified preproduction development" means preproduction
10 development performed within this state in the field of aeronautics.

11 (d) "Qualified preproduction development expenditures" means
12 operating expenses, including wages, compensation of a proprietor or a
13 partner in a partnership as determined by the department, benefits,
14 supplies, and computer expenses, directly incurred in qualified
15 preproduction development by a person claiming the credit provided in
16 this section. The term does not include amounts paid to a person other
17 than a public educational or research institution to conduct qualified
18 preproduction development. The term does not include capital costs and
19 overhead, such as expenses for land, structures, or depreciable
20 property.

21 (6) Credit may not be claimed for expenditures for which a credit
22 is claimed under RCW 82.04.4452 or 82.04.4461.

23 (7) This section expires July 1, 2024.

24 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.32 RCW
25 to read as follows:

26 (1) The legislature finds that accountability and effectiveness are
27 important aspects of setting tax policy. In order to make policy
28 choices regarding the best use of limited state resources the
29 legislature needs information on how a tax incentive is used.

30 (2)(a) A person claiming the credit under section 3 of this act
31 shall file a complete annual survey with the department. The survey is
32 due by March 31st following any year in which a credit is claimed. The
33 department may extend the due date for timely filing of annual surveys
34 under this section as provided in RCW 82.32.590. The survey shall
35 include the amount of the tax credit claimed, the qualified
36 preproduction development expenditures during the calendar year for
37 which the credit is claimed, whether the credit has been assigned under

1 section 3(4) of this act and who assigned the credit, the number of new
2 products or research projects by general classification, and the number
3 of trademarks, patents, and copyrights associated with the qualified
4 preproduction development activities for which a credit was claimed.
5 The survey shall also include the following information for employment
6 positions in Washington:

7 (i) The number of total employment positions;

8 (ii) Full-time, part-time, and temporary employment positions as a
9 percent of total employment;

10 (iii) The number of employment positions according to the following
11 wage bands: Less than thirty thousand dollars; thirty thousand dollars
12 or greater, but less than sixty thousand dollars; and sixty thousand
13 dollars or greater. A wage band containing fewer than three
14 individuals may be combined with another wage band; and

15 (iv) The number of employment positions that have employer-provided
16 medical, dental, and retirement benefits, by each of the wage bands.

17 (b) As part of the annual survey, the department may request
18 additional information necessary to measure the results of, or
19 determine eligibility for, the tax credit program.

20 (c) All information collected under this section, except the amount
21 of the tax credit claimed, is deemed taxpayer information under RCW
22 82.32.330. Information on the amount of tax credit claimed is not
23 subject to the confidentiality provisions of RCW 82.32.330 and may be
24 disclosed to the public upon request, except as provided in (d) of this
25 subsection. If the amount of the tax credit as reported on the survey
26 is different than the amount actually claimed on the taxpayer's tax
27 returns or otherwise allowed by the department, the amount actually
28 claimed or allowed may be disclosed.

29 (d) Persons for whom the actual amount of the tax credit claimed on
30 the taxpayer's returns or otherwise allowed by the department is less
31 than ten thousand dollars during the period covered by the survey may
32 request the department to treat the tax credit amount as confidential
33 under RCW 82.32.330.

34 (3) If a person fails to submit a complete annual survey under
35 subsection (2) of this section by the due date or any extension under
36 RCW 82.32.590, the department shall declare the amount of taxes against
37 which a credit was claimed for that year to be immediately due and
38 payable. The department shall assess interest, but not penalties, on

1 the taxes against which the credit was claimed. Interest shall be
2 assessed at the rate provided for delinquent excise taxes under this
3 chapter, retroactively to the date the credit was claimed, and shall
4 accrue until the taxes against which the credit was claimed are repaid.

5 (4) The department shall use the information from the annual survey
6 required under subsection (2) of this section to prepare summary
7 descriptive statistics by category. No fewer than three taxpayers
8 shall be included in any category. The department shall report these
9 statistics to the legislature each year by September 1st.

10 (5) In conjunction with the reports due under RCW 82.32.545, by
11 November 1, 2010, and November 1, 2023, the fiscal committees of the
12 house of representatives and the senate, in consultation with the
13 department, shall report to the legislature on the effectiveness of the
14 credit authorized in section 3 of this act in regard to keeping
15 Washington competitive. The report shall measure the effect of the
16 credit authorized in section 3 of this act on job retention, net jobs
17 created for Washington residents, company growth, diversification of
18 the state's economy, cluster dynamics, and other factors as the
19 committees select. The reports shall include a discussion of
20 principles to apply in evaluating whether the legislature should
21 reenact the credit authorized in section 3 of this act.

22 (6) A person who is subject to the requirements in RCW 82.32.545 is
23 not required to file a complete annual survey under this section if the
24 person timely files the annual report required by RCW 82.32.545.

25 **Sec. 5.** RCW 82.04.250 and 2003 2nd sp.s. c 1 s 2 are each amended
26 to read as follows:

27 (1) Upon every person (~~((except persons taxable under RCW 82.04.260~~
28 ~~(5) or (13), 82.04.272, or subsection (2) of this section))~~) engaging
29 within this state in the business of making sales at retail, except
30 persons taxable as retailers under other provisions of this chapter, as
31 to such persons, the amount of tax with respect to such business shall
32 be equal to the gross proceeds of sales of the business, multiplied by
33 the rate of 0.471 percent.

34 (2) Upon every person engaging within this state in the business of
35 making sales at retail that are exempt from the tax imposed under
36 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or
37 82.08.0263, ~~except persons taxable under RCW 82.04.260((+13))~~ (11) or

1 subsection (3) of this section, as to such persons, the amount of tax
2 with respect to such business shall be equal to the gross proceeds of
3 sales of the business, multiplied by the rate of 0.484 percent.

4 (3) Upon every person engaging within this state in the business of
5 making sales at retail that are exempt from the tax imposed under
6 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or
7 82.08.0263, that is classified by the federal aviation administration
8 as a FAR part 145 certificated repair station with airframe and
9 instrument ratings and limited ratings for nondestructive testing,
10 radio, Class 3 Accessory, and specialized services, as to such persons,
11 the amount of tax with respect to such business shall be equal to the
12 gross proceeds of sales of the business, multiplied by the rate of
13 .2904 percent.

14 NEW SECTION. Sec. 6. A new section is added to chapter 82.32 RCW
15 to read as follows:

16 (1) The legislature finds that accountability and effectiveness are
17 important aspects of setting tax policy. In order to make policy
18 choices regarding the best use of limited state resources, the
19 legislature needs information on how a tax incentive is used.

20 (2)(a) A person who reports taxes under RCW 82.04.250(3) shall file
21 a complete annual survey with the department. The survey is due by
22 March 31st following any year in which a person reports taxes under RCW
23 82.04.250(3). The department may extend the due date for timely filing
24 of annual surveys under this section as provided in RCW 82.32.590. The
25 survey shall include the amount of tax reduced under the preferential
26 rate in RCW 82.04.250(3). The survey shall also include the following
27 information for employment positions in Washington:

28 (i) The number of total employment positions;

29 (ii) Full-time, part-time, and temporary employment positions as a
30 percent of total employment;

31 (iii) The number of employment positions according to the following
32 wage bands: Less than thirty thousand dollars; thirty thousand dollars
33 or greater, but less than sixty thousand dollars; and sixty thousand
34 dollars or greater. A wage band containing fewer than three
35 individuals may be combined with another wage band; and

36 (iv) The number of employment positions that have employer-provided
37 medical, dental, and retirement benefits, by each of the wage bands.

1 (b) As part of the annual survey, the department may request
2 additional information necessary to measure the results of, or
3 determine eligibility for, the preferential tax rate in RCW
4 82.04.250(3).

5 (c) All information collected under this section, except the amount
6 of the tax reduced under the preferential rate in RCW 82.04.250(3), is
7 deemed taxpayer information under RCW 82.32.330. Information on the
8 amount of tax reduced is not subject to the confidentiality provisions
9 of RCW 82.32.330 and may be disclosed to the public upon request,
10 except as provided in (d) of this subsection. If the amount of the tax
11 reduced as reported on the survey is different than the amount actually
12 reduced based on the taxpayer's excise tax returns or otherwise allowed
13 by the department, the amount actually reduced may be disclosed.

14 (d) Persons for whom the actual amount of the tax reduction is less
15 than ten thousand dollars during the period covered by the survey may
16 request the department to treat the amount of the tax reduction as
17 confidential under RCW 82.32.330.

18 (3) If a person fails to submit a complete annual survey under
19 subsection (2) of this section by the due date or any extension under
20 RCW 82.32.590, the department shall declare the amount of taxes reduced
21 under the preferential rate in RCW 82.04.250(3) for that year to be
22 immediately due and payable. The department shall assess interest, but
23 not penalties, on the taxes. Interest shall be assessed at the rate
24 provided for delinquent excise taxes under this chapter, retroactively
25 to the date the reduced taxes were due, and shall accrue until the
26 amount of the reduced taxes is repaid.

27 (4) The department shall use the information from the annual survey
28 required under subsection (2) of this section to prepare summary
29 descriptive statistics by category. The department shall report these
30 statistics to the legislature each year by September 1st.

31 (5) By November 1, 2010, the fiscal committees of the house of
32 representatives and the senate, in consultation with the department,
33 shall report to the legislature on the effectiveness of the
34 preferential tax rate provided in RCW 82.04.250(3) in regard to keeping
35 Washington competitive. The report shall measure the effect of the
36 preferential tax rate provided in RCW 82.04.250(3) on job retention,
37 net jobs created for Washington residents, company growth,
38 diversification of the state's economy, cluster dynamics, and other

1 factors as the committees select. The report shall include a
2 discussion of principles to apply in evaluating whether the legislature
3 should extend the preferential tax rate provided in RCW 82.04.250(3).

4 (6) This section expires December 31, 2012.

5 **Sec. 7.** RCW 82.32.330 and 2005 c 326 s 1 and 2005 c 274 s 361 are
6 each reenacted and amended to read as follows:

7 (1) For purposes of this section:

8 (a) "Disclose" means to make known to any person in any manner
9 whatever a return or tax information;

10 (b) "Return" means a tax or information return or claim for refund
11 required by, or provided for or permitted under, the laws of this state
12 which is filed with the department of revenue by, on behalf of, or with
13 respect to a person, and any amendment or supplement thereto, including
14 supporting schedules, attachments, or lists that are supplemental to,
15 or part of, the return so filed;

16 (c) "Tax information" means (i) a taxpayer's identity, (ii) the
17 nature, source, or amount of the taxpayer's income, payments, receipts,
18 deductions, exemptions, credits, assets, liabilities, net worth, tax
19 liability deficiencies, overassessments, or tax payments, whether taken
20 from the taxpayer's books and records or any other source, (iii)
21 whether the taxpayer's return was, is being, or will be examined or
22 subject to other investigation or processing, (iv) a part of a written
23 determination that is not designated as a precedent and disclosed
24 pursuant to RCW 82.32.410, or a background file document relating to a
25 written determination, and (v) other data received by, recorded by,
26 prepared by, furnished to, or collected by the department of revenue
27 with respect to the determination of the existence, or possible
28 existence, of liability, or the amount thereof, of a person under the
29 laws of this state for a tax, penalty, interest, fine, forfeiture, or
30 other imposition, or offense: PROVIDED, That data, material, or
31 documents that do not disclose information related to a specific or
32 identifiable taxpayer do not constitute tax information under this
33 section. Except as provided by RCW 82.32.410, nothing in this chapter
34 shall require any person possessing data, material, or documents made
35 confidential and privileged by this section to delete information from
36 such data, material, or documents so as to permit its disclosure;

1 (d) "State agency" means every Washington state office, department,
2 division, bureau, board, commission, or other state agency;

3 (e) "Taxpayer identity" means the taxpayer's name, address,
4 telephone number, registration number, or any combination thereof, or
5 any other information disclosing the identity of the taxpayer; and

6 (f) "Department" means the department of revenue or its officer,
7 agent, employee, or representative.

8 (2) Returns and tax information shall be confidential and
9 privileged, and except as authorized by this section, neither the
10 department of revenue nor any other person may disclose any return or
11 tax information.

12 (3) This section does not prohibit the department of revenue from:

13 (a) Disclosing such return or tax information in a civil or
14 criminal judicial proceeding or an administrative proceeding:

15 (i) In respect of any tax imposed under the laws of this state if
16 the taxpayer or its officer or other person liable under Title 82 RCW
17 is a party in the proceeding; or

18 (ii) In which the taxpayer about whom such return or tax
19 information is sought and another state agency are adverse parties in
20 the proceeding;

21 (b) Disclosing, subject to such requirements and conditions as the
22 director shall prescribe by rules adopted pursuant to chapter 34.05
23 RCW, such return or tax information regarding a taxpayer to such
24 taxpayer or to such person or persons as that taxpayer may designate in
25 a request for, or consent to, such disclosure, or to any other person,
26 at the taxpayer's request, to the extent necessary to comply with a
27 request for information or assistance made by the taxpayer to such
28 other person: PROVIDED, That tax information not received from the
29 taxpayer shall not be so disclosed if the director determines that such
30 disclosure would compromise any investigation or litigation by any
31 federal, state, or local government agency in connection with the civil
32 or criminal liability of the taxpayer or another person, or that such
33 disclosure would identify a confidential informant, or that such
34 disclosure is contrary to any agreement entered into by the department
35 that provides for the reciprocal exchange of information with other
36 government agencies which agreement requires confidentiality with
37 respect to such information unless such information is required to be
38 disclosed to the taxpayer by the order of any court;

1 (c) Disclosing the name of a taxpayer with a deficiency greater
2 than five thousand dollars and against whom a warrant under RCW
3 82.32.210 has been either issued or filed and remains outstanding for
4 a period of at least ten working days. The department shall not be
5 required to disclose any information under this subsection if a
6 taxpayer: (i) Has been issued a tax assessment; (ii) has been issued
7 a warrant that has not been filed; and (iii) has entered a deferred
8 payment arrangement with the department of revenue and is making
9 payments upon such deficiency that will fully satisfy the indebtedness
10 within twelve months;

11 (d) Disclosing the name of a taxpayer with a deficiency greater
12 than five thousand dollars and against whom a warrant under RCW
13 82.32.210 has been filed with a court of record and remains
14 outstanding;

15 (e) Publishing statistics so classified as to prevent the
16 identification of particular returns or reports or items thereof;

17 (f) Disclosing such return or tax information, for official
18 purposes only, to the governor or attorney general, or to any state
19 agency, or to any committee or subcommittee of the legislature dealing
20 with matters of taxation, revenue, trade, commerce, the control of
21 industry or the professions;

22 (g) Permitting the department of revenue's records to be audited
23 and examined by the proper state officer, his or her agents and
24 employees;

25 (h) Disclosing any such return or tax information to a peace
26 officer as defined in RCW 9A.04.110 or county prosecuting attorney, for
27 official purposes. The disclosure may be made only in response to a
28 search warrant, subpoena, or other court order, unless the disclosure
29 is for the purpose of criminal tax enforcement. A peace officer or
30 county prosecuting attorney who receives the return or tax information
31 may disclose that return or tax information only for use in the
32 investigation and a related court proceeding, or in the court
33 proceeding for which the return or tax information originally was
34 sought;

35 (i) Disclosing any such return or tax information to the proper
36 officer of the internal revenue service of the United States, the
37 Canadian government or provincial governments of Canada, or to the
38 proper officer of the tax department of any state or city or town or

1 county, for official purposes, but only if the statutes of the United
2 States, Canada or its provincial governments, or of such other state or
3 city or town or county, as the case may be, grants substantially
4 similar privileges to the proper officers of this state;

5 (j) Disclosing any such return or tax information to the Department
6 of Justice, including the Bureau of Alcohol, Tobacco (~~and~~), Firearms
7 (~~of the Department of the Treasury~~) and Explosives within the
8 Department of Justice, the Department of Defense, the Immigration and
9 Customs Enforcement and the Customs and Border Protection agencies of
10 the United States (~~Customs Service~~) Department of Homeland Security,
11 the Coast Guard of the United States, and the United States Department
12 of Transportation, or any authorized representative thereof, for
13 official purposes;

14 (k) Publishing or otherwise disclosing the text of a written
15 determination designated by the director as a precedent pursuant to RCW
16 82.32.410;

17 (l) Disclosing, in a manner that is not associated with other tax
18 information, the taxpayer name, entity type, business address, mailing
19 address, revenue tax registration numbers, North American industry
20 classification system or standard industrial classification code of a
21 taxpayer, and the dates of opening and closing of business. This
22 subsection shall not be construed as giving authority to the department
23 to give, sell, or provide access to any list of taxpayers for any
24 commercial purpose;

25 (m) Disclosing such return or tax information that is also
26 maintained by another Washington state or local governmental agency as
27 a public record available for inspection and copying under the
28 provisions of chapter 42.56 RCW or is a document maintained by a court
29 of record not otherwise prohibited from disclosure;

30 (n) Disclosing such return or tax information to the United States
31 department of agriculture for the limited purpose of investigating food
32 stamp fraud by retailers;

33 (o) Disclosing to a financial institution, escrow company, or title
34 company, in connection with specific real property that is the subject
35 of a real estate transaction, current amounts due the department for a
36 filed tax warrant, judgment, or lien against the real property;

37 (p) Disclosing to a person against whom the department has asserted

1 liability as a successor under RCW 82.32.140 return or tax information
2 pertaining to the specific business of the taxpayer to which the person
3 has succeeded; ((~~or~~))

4 (q) Disclosing such return or tax information in the possession of
5 the department relating to the administration or enforcement of the
6 real estate excise tax imposed under chapter 82.45 RCW, including
7 information regarding transactions exempt or otherwise not subject to
8 tax; or

9 (r) Disclosing the least amount of return or tax information
10 necessary for the reports required in section 6 (4) and (5) of this act
11 when the number of taxpayers included in the reports or any part of the
12 reports cannot be classified to prevent the identification of taxpayers
13 or particular returns, reports, tax information, or items in the
14 possession of the department.

15 (4)(a) The department may disclose return or taxpayer information
16 to a person under investigation or during any court or administrative
17 proceeding against a person under investigation as provided in this
18 subsection (4). The disclosure must be in connection with the
19 department's official duties relating to an audit, collection activity,
20 or a civil or criminal investigation. The disclosure may occur only
21 when the person under investigation and the person in possession of
22 data, materials, or documents are parties to the return or tax
23 information to be disclosed. The department may disclose return or tax
24 information such as invoices, contracts, bills, statements, resale or
25 exemption certificates, or checks. However, the department may not
26 disclose general ledgers, sales or cash receipt journals, check
27 registers, accounts receivable/payable ledgers, general journals,
28 financial statements, expert's workpapers, income tax returns, state
29 tax returns, tax return workpapers, or other similar data, materials,
30 or documents.

31 (b) Before disclosure of any tax return or tax information under
32 this subsection (4), the department shall, through written
33 correspondence, inform the person in possession of the data, materials,
34 or documents to be disclosed. The correspondence shall clearly
35 identify the data, materials, or documents to be disclosed. The
36 department may not disclose any tax return or tax information under
37 this subsection (4) until the time period allowed in (c) of this

1 subsection has expired or until the court has ruled on any challenge
2 brought under (c) of this subsection.

3 (c) The person in possession of the data, materials, or documents
4 to be disclosed by the department has twenty days from the receipt of
5 the written request required under (b) of this subsection to petition
6 the superior court of the county in which the petitioner resides for
7 injunctive relief. The court shall limit or deny the request of the
8 department if the court determines that:

9 (i) The data, materials, or documents sought for disclosure are
10 cumulative or duplicative, or are obtainable from some other source
11 that is more convenient, less burdensome, or less expensive;

12 (ii) The production of the data, materials, or documents sought
13 would be unduly burdensome or expensive, taking into account the needs
14 of the department, the amount in controversy, limitations on the
15 petitioner's resources, and the importance of the issues at stake; or

16 (iii) The data, materials, or documents sought for disclosure
17 contain trade secret information that, if disclosed, could harm the
18 petitioner.

19 (d) The department shall reimburse reasonable expenses for the
20 production of data, materials, or documents incurred by the person in
21 possession of the data, materials, or documents to be disclosed.

22 (e) Requesting information under (b) of this subsection that may
23 indicate that a taxpayer is under investigation does not constitute a
24 disclosure of tax return or tax information under this section.

25 (5) Any person acquiring knowledge of any return or tax information
26 in the course of his or her employment with the department of revenue
27 and any person acquiring knowledge of any return or tax information as
28 provided under subsection (3)(f), (g), (h), (i), (j), or (n) of this
29 section, who discloses any such return or tax information to another
30 person not entitled to knowledge of such return or tax information
31 under the provisions of this section, is guilty of a misdemeanor. If
32 the person guilty of such violation is an officer or employee of the
33 state, such person shall forfeit such office or employment and shall be
34 incapable of holding any public office or employment in this state for
35 a period of two years thereafter.

36 **Sec. 8.** RCW 82.32.590 and 2005 c 514 s 1001 are each amended to
37 read as follows:

1 (1) If the department finds that the failure of a taxpayer to file
2 an annual survey under RCW 82.04.4452, section 4 of this act, or
3 section 6 of this act by the due date was the result of circumstances
4 beyond the control of the taxpayer, the department shall extend the
5 time for filing the survey. Such extension shall be for a period of
6 thirty days from the date the department issues its written
7 notification to the taxpayer that it qualifies for an extension under
8 this section. The department may grant additional extensions as it
9 deems proper.

10 (2) In making a determination whether the failure of a taxpayer to
11 file an annual survey by the due date was the result of circumstances
12 beyond the control of the taxpayer, the department shall be guided by
13 rules adopted by the department for the waiver or cancellation of
14 penalties when the underpayment or untimely payment of any tax was due
15 to circumstances beyond the control of the taxpayer.

16 **Sec. 9.** RCW 82.32.600 and 2005 c 514 s 1002 are each amended to
17 read as follows:

18 (1) Persons required to file surveys under RCW 82.04.4452, section
19 4 of this act, or section 6 of this act must electronically file with
20 the department all surveys, returns, and any other forms or information
21 the department requires in an electronic format as provided or approved
22 by the department (~~(, unless the department grants relief under~~
23 ~~subsection (2) of this section)~~). As used in this section, "returns"
24 has the same meaning as "return" in RCW 82.32.050.

25 (2) (~~Upon request, the department may relieve a person of the~~
26 ~~obligations in subsection (1) of this section if the person's taxes~~
27 ~~have been reduced a cumulative total of less than one thousand dollars~~
28 ~~from all of the credits, exemptions, or preferential business and~~
29 ~~occupation tax rates, for which a person is required to file an annual~~
30 ~~survey under RCW 82.04.4452, 82.32.535, 82.32.545, 82.32.570,~~
31 ~~82.32.560, 82.60.070, or 82.63.020.~~

32 ~~(3) Persons who no longer qualify for relief under subsection (2)~~
33 ~~of this section will be notified in writing by the department and must~~
34 ~~comply with subsection (1) of this section by the date provided in the~~
35 ~~notice.~~

36 ~~(4))~~ Any survey, return, or any other form or information required

1 to be filed in an electronic format under subsection (1) of this
2 section is not filed until received by the department in an electronic
3 format.

4 (3) The department may waive the electronic filing requirement in
5 subsection (1) of this section for good cause shown.

6 **Sec. 10.** RCW 82.04.4463 and 2005 c 514 s 501 are each amended to
7 read as follows:

8 (1) In computing the tax imposed under this chapter, a credit is
9 allowed for property taxes and leasehold excise taxes paid during the
10 calendar year.

11 (2) The credit is equal to:

12 (a)(i)(A) Property taxes paid on new buildings, and land upon which
13 this property is located, built after December 1, 2003, and used
14 exclusively in manufacturing commercial airplanes or components of such
15 airplanes; and

16 (B) Leasehold excise taxes paid with respect to a building built
17 after January 1, 2006, the land upon which the building is located, or
18 both, if the building is used exclusively in manufacturing commercial
19 airplanes or components of such airplanes; or

20 (ii) Property taxes attributable to an increase in assessed value
21 due to the renovation or expansion, after December 1, 2003, of a
22 building used exclusively in manufacturing commercial airplanes or
23 components of such airplanes; and

24 (b) An amount equal to property taxes paid on machinery and
25 equipment exempt under RCW 82.08.02565 or 82.12.02565 and acquired
26 after December 1, 2003, multiplied by a fraction. The numerator of the
27 fraction is the total taxable amount subject to the tax imposed under
28 RCW 82.04.260(~~(+13)~~) (11) and the denominator of the fraction is the
29 total taxable amount subject to the tax imposed under all manufacturing
30 classifications in chapter 82.04 RCW, required to be reported on the
31 person's returns for the calendar year before the calendar year in
32 which the credit under this section is earned. No credit is available
33 under this subsection (2)(b) if either the numerator or the denominator
34 of the fraction is zero. If the fraction is greater than or equal to
35 nine-tenths, then the fraction is rounded to one. For purposes of this
36 subsection, "returns" means the combined excise tax returns for the
37 calendar year.

1 (3) For the purposes of this section, "commercial passenger
2 airplane" and "component" have the meanings given in RCW 82.32.550.

3 (4) A person taking the credit under this section is subject to all
4 the requirements of chapter 82.32 RCW. In addition, the person must
5 report as required under RCW 82.32.545. A credit earned during one
6 calendar year may be carried over to be credited against taxes incurred
7 in a subsequent calendar year, but may not be carried over a second
8 year. No refunds may be granted for credits under this section.

9 (5) In addition to all other requirements under this title, a
10 person taking the credit under this section must report as required
11 under RCW 82.32.545.

12 (6) This section expires July 1, 2024.

13 NEW SECTION. **Sec. 11.** Section 10 of this act applies with respect
14 to leasehold excise taxes paid on or after January 1, 2007.

15 NEW SECTION. **Sec. 12.** Sections 1 through 9 of this act take
16 effect July 1, 2006.

17 NEW SECTION. **Sec. 13.** Sections 10 and 11 of this act take effect
18 January 1, 2007.

19 NEW SECTION. **Sec. 14.** Section 5 of this act expires July 1,
20 2011."

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By Committee on Ways & Means

ADOPTED 03/06/2006

21 On page 1, line 2 of the title, after "businesses;" strike the
22 remainder of the title and insert "amending RCW 82.04.250, 82.32.590,
23 82.32.600, and 82.04.4463; reenacting and amending RCW 82.32.330;
24 adding a new section to chapter 82.08 RCW; adding a new section to
25 chapter 82.12 RCW; adding a new section to chapter 82.04 RCW; adding
26 new sections to chapter 82.32 RCW; creating a new section; providing

1 effective dates; and providing expiration dates."

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